

15- year ST2 Financial Plan

July 17, 2008

Finance Committee

15-Year Plan Benefits

- **Major regional mass transit expansions**
 - 34 new miles of light rail achieve a 53-mile system by 2023
 - Accelerated delivery of expanded ST Express service improvements
 - Expanded Sounder commuter rail service
 - Major improvements to Sounder and ST Express station access
- **Increases transit ridership and capacity**
 - 83% increase in Sound Transit ridership by 2030 (compared to no ST2)
 - 20% increase in regionwide transit ridership by 2030 (compared to no ST2)
 - Each light rail corridor can move 12,000 people per hour in each direction
- **Saves time and money for transit riders and drivers**
 - By 2030, 18 M hours saved for riders annually and 20-25 M hours for drivers
- **Faster completion and lower cost**
 - Light rail expansions completed five to seven years faster than Proposition 1
 - Capital costs of 15-year transit-only package are 50% less than Proposition 1
 - Capital costs are 23% less than 2007 ST2 package

Improved Financial Plan

- **Greater clarity**

- More clearly differentiates ST2 costs from *Sound Move* costs and future ST3 capacity
- Emphasizes both YOE and constant year costs

- **Greater accountability**

- Preserves accountability measures from 2007 plan
- Identifies specific plan for tax rollbacks if voters don't approve a ST3 measure

ST2 15-Year Financial Planning Approach

- **Retained key planning assumptions and approaches**
 - Repeatedly audited
 - Consistent with FTA planning guidelines
 - Rely on independent forecast
 - Build plan with revenue and expenditures detailed at subarea level
- **15-year plan based on “stand-alone” ST2 model**
 - Validated by consolidated ST2-SM model

Independent Revenue Forecast Summary

1980-2005

Actuals

2009-2023*

Sales Tax

6.4%

5.0%

MVET

8.8%

4.9%

*July 2008 forecast

Independent Inflation Forecast Summary

1995-2007

	<u>Actuals</u>	<u>2009-2027*</u>
CPI	2.9%	3.3%
BCI	3.5%	3.6%
ROWI	6.7%	4.6%

*includes ST contingency. CPI: July 2008, BCI & ROWI
July 2007 forecast

Federal Funding

- FFGA
 - \$500 m. Initial Segment
 - \$813 m. U Link
 - Assume \$600m. ST2
- Other Grants
 - \$422 m. to date
 - Assume \$295 m. ST2

Debt-Equity

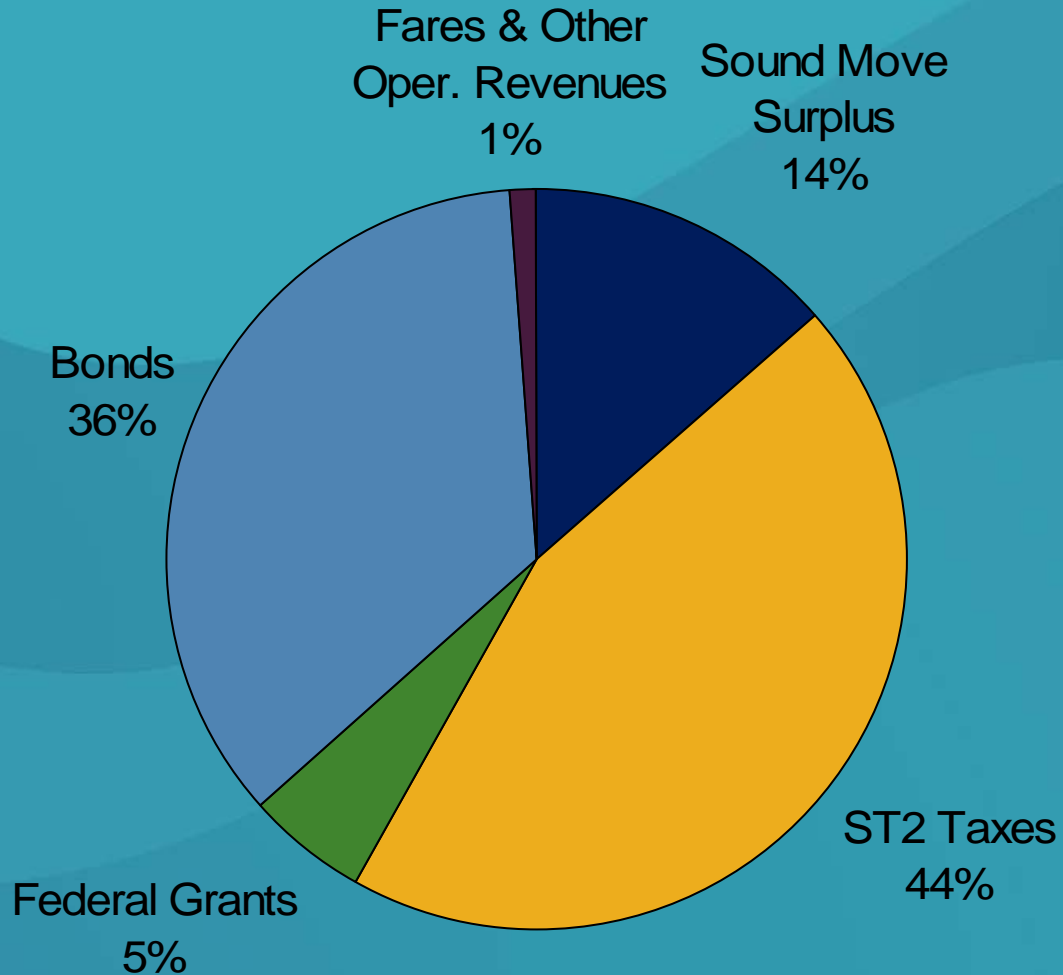
- Defined as: Bonds Issued / Capital Expenses
- ST2 Debt-Equity ~46%
- Other agencies: “debt equity” ratios from 28% to 66%

Revenue and Bonding Assumptions

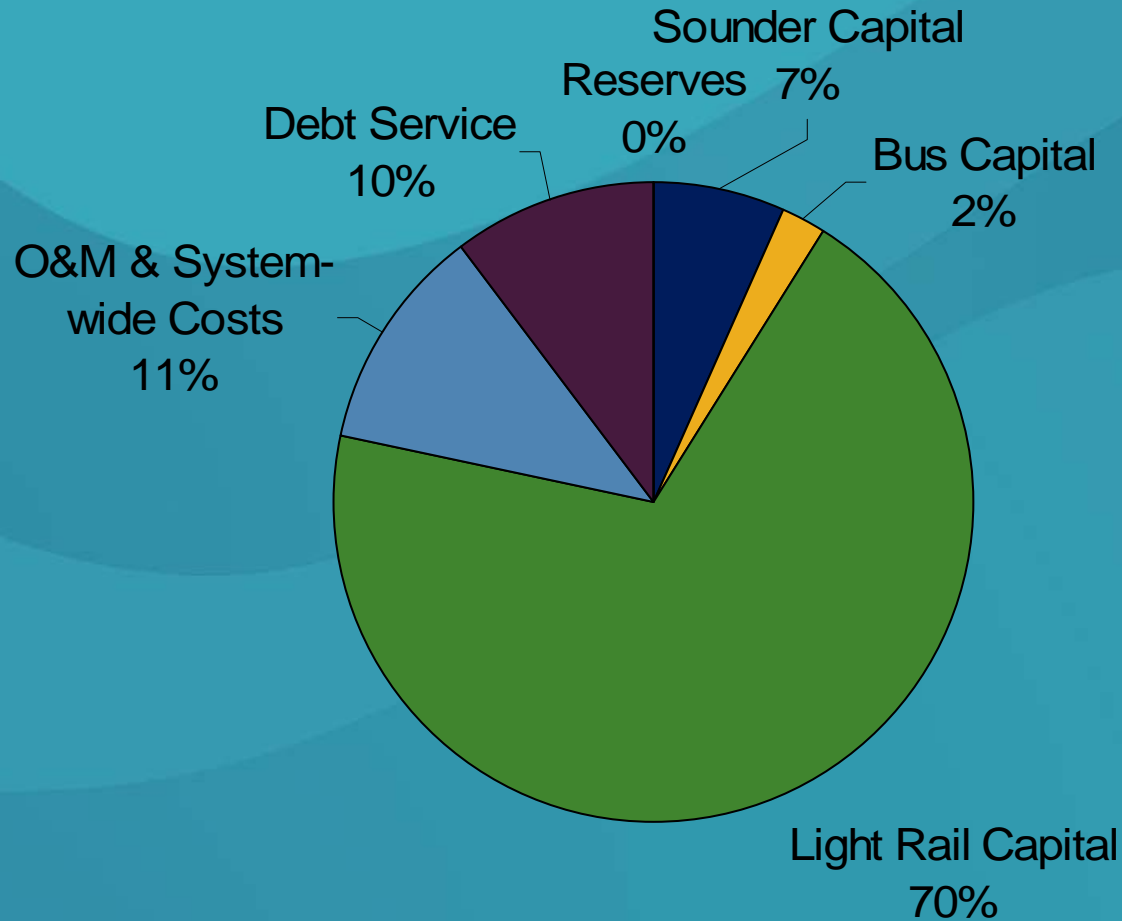
Nominal Dollars

	Sound Move	2007 ST2 Plan	2008 ST2 Plan
Funding Sources			
Sales Tax and Use Tax	0.4%	0.9%	0.8-0.9%
Motor Vehicle Excise Tax (MVET)	0.3%	0.3%	0.3%
Annual Average Revenue Growth (12/20 yr)			
Sales Tax and Use Tax	5.2%	5.2%	5.0%
MVET	5.3%	5.3%	4.9%
Bonding			
Level-Loaded Term	30 years	30 years	30 years
Amortization	Wrap	Level	Level
Interest-Only Term	5yrs/10yrs	5 years	5 years
Interest-Only Premium	-	-	-
Debt Issuance Costs	1.5%	1.5%	1.5%
Gross Debt Service Coverage Ratio Policy	NA	NA	NA
Net Debt Service Coverage Ratio Policy	1.3x	1.5x	1.5x
Reserves	2 Months	2 Months	2 Months
Borrowing Rates			
Until 2009	5.00%	5.00%	5.00%
After 2009	6.00%	6.00%	6.00%
Inflation Cost Index			
Consumer Price Index	3.60%	3.60%	3.30%
Building Cost Index	3.60%	3.60%	3.60%
Right of Way Index	4.60%	4.60%	4.60%
Other			
Interest earnings rate	3.00%	3.00%	3.00%
Capital Replacement	Yes	Yes	Yes

ST2 15 Yr Plan: Sources of Funds 2009-2023 (\$17.6 b. YOE)



ST2 15 Yr Plan: Uses of Funds 2009-2023 (\$17.6 b YOY)



ST2 Financial Plan — Sources & Uses Summary

2009 through 2023

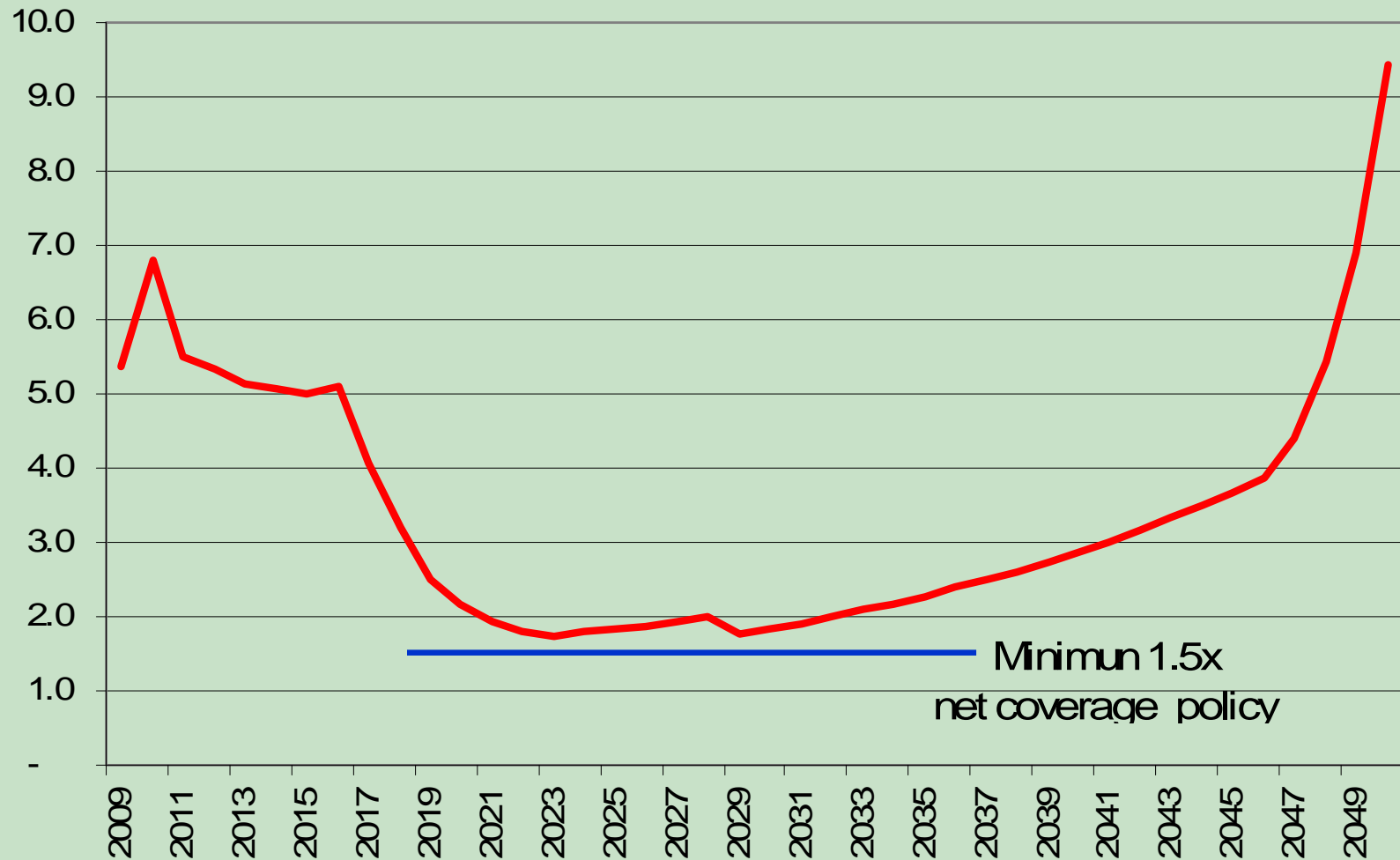
Millions of YOE Dollars

Scenar 2023 Base Plan w/ 0.5% Tax

7/14/2008

	Snohomish	North King	South King	East King	Pierce	Regional Fund	Total
Sources of Funds							
NOTES							
¹ Sound Move Surplus	462	137	76	1,292	386		2,353
² ST2 Taxes	977	2,079	1,374	2,044	1,278		7,752
³ Federal Grants	56	464	88	215	73		895
⁴ Bonds (par less iss. costs)	423	1,646	1,321	2,726	81	-	6,196
⁵ Fares & Other Oper. Revenues	17	69	18	33	57	-	195
⁶ System-wide Contributions	-	-	-	-	-	-	-
Interest						181	181
⁷ Adjustments							-
⁸ Total Sources	1,934	4,394	2,876	6,311	1,876	181	17,572
Uses of Funds							
Capital Expenditures							
⁹ Sounder Commuter Rail	89	-	127	-	919		1,135
¹⁰ ST Express Bus	59	-	111	124	61		355
¹¹ Link Light Rail	1,464	3,410	2,036	4,527	268		11,705
¹² System-wide Activities						149	149
<i>Total Capital</i>	<i>1,612</i>	<i>3,410</i>	<i>2,274</i>	<i>4,652</i>	<i>1,249</i>	<i>149</i>	<i>13,344</i>
O & M Expenditures							
¹³ Sounder Commuter Rail	6	-	4	-	151		161
¹⁴ ST Express Bus	73	-	26	72	44		215
¹⁵ Link Light Rail	32	116	30	110	-		288
¹⁶ System-wide Activities	-	-	-	-	-	1,111	1,111
<i>Total O&M</i>	<i>111</i>	<i>116</i>	<i>60</i>	<i>182</i>	<i>195</i>	<i>1,111</i>	<i>1,775</i>
¹⁷ Debt Service	30	456	249	822	159	-	1,716
Contributions to Reserves	45	123	102	371	95	-	737
Contribution to Systemwide	136	289	191	285	178	(1,079)	-
¹⁹ Total Uses	1,934	4,394	2,876	6,311	1,876	181	17,572

Net Coverage



Snohomish (2009-2023)

\$ M YOY

Sources

ST2 Tax Revenues	977
Sound Move Surplus	462
Bonds (less issuance costs)	423
Fares & Operating Revenue	17
Federal Grants	56
total sources	1,934

Uses

Subarea Operating + Non-Cap Costs	111
Capital Expenditures	1,612
Scheduled Debt Service Payments	30
O&M Reserves & Other	15
Bond reserve	30
Contribution to System-wide Costs	136
Total Uses	1,934

North King (2009-2023)

\$ M YOE

Sources

ST2 Tax Revenues	2,079
Sound Move Surplus	137
Bonds (less issuance costs)	1,646
Fares & Operating Revenue	69
Federal Grants	464
total sources	4,394

Uses

Subarea Operating + Non-Cap Costs	116
Capital Expenditures	3,410
Scheduled Debt Service Payments	456
O&M Reserves & Other	5
Bond reserve	118
Contribution to System-wide Costs	289
Total Uses	4,394

South King (2009-2023)

\$ M YOY

Sources

ST2 Tax Revenues	1,374
Sound Move Surplus	76
Bonds (less issuance costs)	1,321
Fares & Operating Revenue	18
Federal Grants	88
total sources	2,876

Uses

Subarea Operating + Non-Cap Costs	60
Capital Expenditures	2,274
Scheduled Debt Service Payments	249
O&M reserve contribution	8
Bond reserve	94
Contribution to System-wide Costs	191
Total Uses	2,876

East King (2009-2023)

\$ M YOY

Sources

ST2 Tax Revenues	2,044
Sound Move Surplus	1,292
Bonds (less issuance costs)	2,726
Fares & Operating Revenue	33
Federal Grants	215
total sources	6,311

Uses

Subarea Operating + Non-Cap Costs	182
Capital Expenditures	4,652
Scheduled Debt Service Payments	822
O&M reserve contribution	176
Bond reserve	195
Contribution to System-wide Costs	285
Total Uses	6,311

Pierce (2009-2023)

\$ M YOY

Sources

ST2 Tax Revenues	1,278
Sound Move Surplus	386
Bonds (less issuance costs)	81
Fares & Operating Revenue	57
Federal Grants	73
total sources	1,876

Uses

Subarea Operating + Non-Cap Costs	195
Capital Expenditures	1,249
Scheduled Debt Service Payments	159
O&M reserve contribution	90
Bond reserve	6
Contribution to System-wide Costs	178
Total Uses	1,876

Risks

- Key Risks
 - Revenue growth
 - Cost inflation
 - Unfavorable bond market
 - Federal Funds less than anticipated
- Key Contingencies
 - Project contingencies
 - Financial contingencies
- Board's tools for dealing with change
 - Use of uncommitted funds
 - Scale back program
 - Extend time period
 - Seek legislative authorization and voter approval for additional resources

ST2 Financial Plan Sensitivity Analysis Test Results
Alternative: 0.5% Sales Tax, 15-Year Plan (2009 - 2023)

Summary Table

Totals 2009 - 2023

\$Millions	Test 0	Test 1	Test 2	Test 3	Test 4	Test 5	Test 6	Test 7
Key Indicator	Base Case	Incr. LRT Capital Costs by 10%	Incr. Bond Rate by 1%	Zero Revenue Growth 2011-12	Reduce Avg. Fare by 50%	Increase O&M Costs +1%/Yr	Eliminate \$600M FTA NS Grant	Combo**
Revenues *	\$ 19,283	\$ 19,301	\$ 19,285	\$ 18,205	\$ 18,780	\$ 19,290	\$ 18,690	18,728
Difference from Base		\$ 18	\$ 2	\$ (1,078)	\$ (502)	\$ 7	\$ (593)	(555)
% Difference from Base		0.1%	0.0%	-5.6%	-2.6%	0.0%	-3.1%	(0)
Bonds Issued	\$ 7,796	\$ 9,561	\$ 8,180	\$ 9,343	\$ 8,476	\$ 8,260	\$ 8,675	9,756
Difference from Base		\$ 1,765	\$ 384	\$ 1,547	\$ 680	\$ 465	\$ 879	1,960
% Difference from Base		22.6%	4.9%	19.8%	8.7%	6.0%	11.3%	0
Debt Service	\$ 3,646	\$ 4,191	\$ 4,064	\$ 4,175	\$ 3,883	\$ 3,783	\$ 3,869	4,278
Difference from Base		\$ 545	\$ 418	\$ 529	\$ 236	\$ 136	\$ 223	632
% Difference from Base		14.9%	11.5%	14.5%	6.5%	3.7%	6.1%	0
Debt Service Recovery Ratio	1.68	1.38	1.46	1.18	1.43	1.37	1.53	1.13
Capital Costs	\$ 16,014	\$ 17,185	\$ 16,014	\$ 16,014	\$ 16,014	\$ 16,014	\$ 16,014	16,600
Difference from Base		\$ 1,170	\$ -	\$ -	\$ -	\$ -	\$ -	585
% Difference from Base		7.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0
Operating Costs	\$ 5,875	\$ 5,875	\$ 5,875	\$ 5,875	\$ 5,875	\$ 6,284	\$ 5,875	6,074
Difference from Base		\$ -	\$ -	\$ -	\$ -	\$ 409	\$ -	199
% Difference from Base		0.0%	0.0%	0.0%	0.0%	7.0%	0.0%	0

* Includes tax-based revenues, operating revenues, interest earnings and grants. Increased bond sales may cause interest earnings to increase.

** LRT 5% cost increase, 0.5% O&M increase/yr, zero revenue growth 2011

ST2 Financial Policy

- Sound Move Financial Policies
 - 1996
 - Amended
- Policies updated for 2007 Vote
 - Lessons learned since 1996
 - Policy changes give board option for more flexibly managing integrated regional system.
 - Reduce reliance on subarea transactional accounting
 - Retain key *Sound Move* commitments on equity, accountability and prudent financial planning
- Staff recommends re-adoption of ST2 Financial Policies, plus:
 - Tax Rollback upon completion of *Sound Move* and ST2 Plan
 - Commitment to Performance Audit program

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